

Economic Impact: Attendance for Cubs Playoff Games

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EXECUTIVE SUMMARY

On Friday, September 28, the Cubs had not yet made the playoffs. Their game scheduled for that day, which would not even be a clinching game, had not even begun. However fans, and businesses, were already gearing up for the influx of business that would come with a Cubs trip to the playoffs.

Establishments in Wrigleyville, the neighborhood that is home to Wrigley Field, and elsewhere across Chicago, were announcing Cubs watching parties. Bus companies were transporting busloads of fans to the regular-season-ending series in Cincinnati. The game announcers estimated that over half of the fans for the first game of the series were Cubs fans. They also announced that many more Cubs fans were on their way, and no hotel rooms were available.¹ As one business owner stated, “when the Cubs win, everybody wins.”²

As part of our periodic series delineating the Economic Impact of Events, we offer this estimate of the economic impact of the Cubs making the playoffs on the Chicago economy.

We estimate that even if the Cubs don’t make it out of the first round, their accomplishment could benefit the Chicago economy by more than \$10 million. Should the Cubs make it all the way through the World Series, that impact could rise to exceed \$60 million.³ These figures account only for the expenditures of fans attending the games. An additional economic impact is expected from spending by fans not at the game, but such spending is difficult to accurately gauge, and is not estimated here.

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1. Bob Brenley, Len Kasper, Announcing the Cubs game on Comcast SportsNet, September 28, 2007.
 2. Gregory R. Kayser, Interview by AEG, September 29, 2007.
 3. The \$10 million assumes two home games are played in the first round. The \$60 million assumes all eight possible home playoff games are played.

EXTREMELY BRIEF HISTORY OF THE CUBS

The roots of Chicago baseball go back to the very beginning of professional baseball. The predecessor to the Cubs, interestingly enough the White Stockings, began in 1870. Before he left to create a start-up sporting goods company that bore his name, Albert Spalding managed the new ball club.

Chicago baseball had early success. The White Stockings had five titles in their first seven years. Then the Chicago Cubs were formed in 1876 and began a long run of success. The Cubs are by no means strangers to the post season, even the World Series. In fact, the last time the Cubs had success in the World series they won consecutive titles — in 1907 and 1908.

Since then, however, the Cubs have established the longest championship drought in major league baseball and one of the longest in American sports. The failure of the Cubs has been legend, earning them the nickname “lovable losers.”

A recurring enjoyable legend blames this failure on the “Billy Goat curse,” so named when the team ejected a fan who had brought his goat into a game the last time the Cubs were in the World Series (1945). With the goat long dead, in their last attempt in the post-season the Cubs not only failed, but tried to blame their loss on a fan and the next year on an announcer.

RECENT HISTORY

The past eighteen months have been very interesting for the Cubs franchise. Shareholders of the team owner, Tribune Co. (TRB: NYSE), compelled the Tribune to market itself for sale, as well as divest certain component parts. This included selling the Cubs.

As AEG is completing this study, the sale is nearing completion. And the performance of the team is helping boost the value of the franchise.⁴ Some metrics indicative of an increasing franchise value include:

- On September 10, the team set an attendance speed record, reaching three million fans at Wrigley Field faster than any time in franchise history.
- On September 22, the team set another new single-season attendance record. The Cubs eventually surpassed the 3.25 million fan mark in 2007.⁵
- The Cubs averaged 98% attendance this season, second only to the Boston Red Sox.⁶

4. An analysis by Anderson Economic Group from March, 2007 estimated the value of the franchise to be \$600 million, a 34% increase over the 2004 franchise value as estimated by Forbes. See Geckil, Mahon, and Anderson, *Sports Franchise Valuation: The Chicago Cubs*, Anderson Economic Group, March 15, 2007.

5. Major league attendance records, available at <<http://sports.espn.go.com/mlb/attendance>>.

6. Ibid.

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- The Cubs are leading the National League in average attendance and percentage attendance on the road, making them a popular opponent for owners throughout the league.

This is not bad performance for a franchise that is for sale. Potential buyers have taken note. Numerous sources report that this team has more personality, maturity, and responsibility than the “blaming” teams of 2003 and 2004. As such, they are more fun to watch. They have, and will continue to, draw more interest, more revenue, and most likely a recording breaking purchase price.

LIKELY ECONOMIC IMPACT: PLAYOFFS

We estimate a net economic impact on the Chicago area of \$5.5 million for each first-round home playoff game; \$6.6 million for each home National League Championship Series game; and nearly another \$10.7 million for each World Series game played at Wrigley Field.

We estimate this impact based only on the increased expenditures by those attending the games, including their expenditures on tickets, souvenirs, parking and transportation, and food and beverage, both in the stadium and at local establishments before and after the games. We do not include here spending by those not attending the games, which will only increase the total economic impact from this playoff appearance.

The cumulative economic impact of the playoff run will, of course, depend on how deep into the playoffs the Cubs advance as well as how many games the team plays in each series. If the Cubs were to make it to the World Series, and play every home game possible (2 in round one, 3 in the NLCS, and 3 in the World Series — the Cubs would not have home field advantage in any series), the economic impact from game attendance could exceed \$62.8 million. However, in the unfortunate event that the team is swept in the first series, the Cubs would play only one home game. In that case, the economic impact would still be some \$5.5 million.

Assumptions

Attendance. The owners of the Cubs recently increased the capacity at Wrigley Field to 41,118. However, continuing their regular season practice, the Cubs will sell standing-room tickets to the playoff games. Therefore, we assume that 42,000 people would attend each home playoff game.

Attendee Expenditures. We assume that each person attending the playoff games will spend \$8 on parking and / or transportation (cabs, “L” fairs, etc.), and an additional amount on food, drinks, souvenirs, and entertainment before, during, and after each game. We estimate these amounts to be \$45 for round one games, \$50 for NLCS games, and \$55 for World Series games.

Ticket Sales. According to the Chicago Cubs, the average ticket price at Wrigley Field during the playoffs is \$73 for round one.⁷ The Cubs have not released ticket prices for the NLCS, or the World Series. We estimated those prices based on previous studies. Major League Baseball gets 40% of the ticket price for playoff games, so only the remaining 60% of revenues from ticket sales generates an economic impact in the Chicago metro area.

Substitution Effect. We assume a 15% substitution effect. This is to say that 85% of all spending is net new spending, and 15% substitutes for already anticipated expenditures. This is a higher portion than we would normally estimate, for two reasons. First, given the poor historical playoff qualification and the fact that the Cubs broke their previous record for attendance, it appears demand is sufficient to cause fans to spend beyond already anticipated budgets. Second, these games will draw fans, and their money, from outside of the Chicago area.

We considered “wearout,” a phenomena in which potential customers become disaffected based on the frequency of an occurrence (e.g. the effect of an ad decreases if it is run too frequently). The strongest example of this occurrence in baseball occurred in Atlanta. During a fourteen-year stretch (that just ended in 2007) the Atlanta Braves made it to the baseball playoffs every year. The customers / fans of the Braves became so inured to success that in years past the Braves did not sell-out their first round playoffs.

While it is true that the Cubs made the playoffs as recently as 2003, the Cubs fans have not become so inured. The Cubs have not qualified for the postseason twice in a five-year span since 1930, and strong regular season attendance indicates that wearout is not likely to impact demand.

Economic Multiplier. To estimate the indirect economic impact of the Cubs’ playoff run, we have applied a multiplier of 1.7, which equates to assuming that for every dollar of direct expenditure, there will be an additional \$0.70 of economic activity generated in the area. This is higher than the 1.6 multiplier used in our analyses of the economic impact of the 2006 Detroit Tigers’s playoff game attendance due to geographic and demographic differences.⁸

**CONSERVATIVE
“IMPACT”
ASSESSMENT**

AEG has completed a number of other impact assessments, which are often recognized afterwards as the most reliable and timely available. The basis for this methodology is stated in the book *Business Economics and Finance* written by AEG Principal and CEO Patrick L. Anderson.⁹

7. Available at <http://www.cubs.com>.

8. Spending at and near Wrigley Field is likely to have larger indirect economic impact given the larger population that both lives and works in the region.

9. Patrick L. Anderson, *Business Economics and Finance*, CRC Press, 2004.

Some “economic impact” reports do not follow a consistent methodology or a conservative approach. Our analysis uses a consistent, conservative methodology that avoids double-counting of costs or benefits, properly accounts for the shifting and substitution of economic activity, and does not unnecessarily inflate the impact by using excessive multipliers.

Substitution Effects. To illustrate how failure to account for the shifting of economic activity can exaggerate an economic impact, consider the following. The expenditures of a family from Naperville attending a playoff game at Wrigley Field rather than going to dinner and a movie do not have a net economic impact on the area—their expenditures are simply a shift in economic activity away from another local activity. It would have an economic impact, however, if they go to the game in addition to going to the dinner and movie. The true economic impact of an event only accounts for net benefits, that is, dollars spent in the area otherwise spent elsewhere or not at all.

Multipliers. Another potential for double counting is the tendency to use multipliers that exaggerate the indirect impact of an event. One reason for this is a failure to consider how much of each dollar spent is transferred out of the local economy, such as profits from a restaurant or hotel chain going back to headquarters outside of the area.

ADDITIONAL SOURCES

In arriving at these assumptions, in addition to those sources listed in Footnote 4, we reviewed a variety of past reports, including:

- “Franchise Valuation: The Chicago Cubs,” AEG Working Paper 2007-03, 2007.
- “Economic Impacts from 2006 Detroit Tigers’ Game Attendance,” AEG Working Paper 2006-09, 2006.
- “Likely Economic Impact to Ireland from the 2006 Ryder Cup,” AEG Working Paper 2006-09, 2006.
- “Likely Economic Impact of Super Bowl XL,” AEG Working Paper 2006-10, 2006.

Economic Impacts: Chicago Cubs Baseball on Metro Chicago Area

Table 1. 2006 Playoffs

	<u>Round One</u>		<u>NLCS</u>		<u>World Series</u>	
Avg Attendance		42,000		42,000		42,000
Avg Ticket Price (1st Round)	\$	70		na		na
Avg Ticket Price (ALCS)		na	\$	95		na
Avg Ticket Price (World Series)		na		na	\$	215
Additional Expenditures	\$	45	\$	50	\$	55
<i>Food, drinks, souvenirs... (per person)</i>						
Parking / Transportation (per person)	\$	8	\$	8	\$	8
Total Expenditure Per Game	\$	5,166,000	\$	6,426,000	\$	11,676,000
<i>less:</i>						
MLB Share of Ticket Price (40%)	\$	(1,176,000)	\$	(1,596,000)	\$	(3,612,000)
Substitution Effect (15%)	\$	(774,900)	\$	(963,900)	\$	(1,751,400)
<i>equals:</i>						
Direct Economic Impact	\$	3,215,100	\$	3,866,100	\$	6,312,600
<i>apply multiplier of 0.7</i>						
Indirect Economic Impact	\$	2,250,570	\$	2,706,270	\$	4,418,820
TOTAL ECONOMIC IMPACT PER GAME	\$	5,465,670	\$	6,572,370	\$	10,731,420
Max home games per series:		2		3		3
POSSIBLE ECONOMIC IMPACT PER SERIES	\$	10,931,340	\$	19,717,110	\$	32,194,260
CUMULITATIVE TOTAL	\$	10,931,340	\$	30,648,450	\$	62,842,710

ABOUT ANDERSON ECONOMIC GROUP

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- Corporations such as GM, Ford, Delphi, Honda, Metaldyne, Taubman Centers, The Detroit Lions, PG&E Generating; SBC, Gambrinus, Labatt USA, and InBev USA; automobile dealers and dealership groups representing Toyota, Honda, Chrysler, Mercedes-Benz, and other brands.
- Nonprofit organizations, such as Michigan State University, Wayne State University, Van Andel Institute, the Michigan Manufacturers Association, International Mass Retailers Association, American Automobile Manufacturers Association, Automation Alley, and the Michigan Chamber of Commerce.

For additional information, see the AEG web site at: <http://www.AndersonEconomicGroup.com>.

ABOUT THE AUTHORS

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Among the clients for whom he has worked are the Michigan Manufacturers Association, Michigan State University, Wayne State University, Michigan Chamber of Commerce, Michigan Retailers Association, Collier County, Florida; and the West Virginia High Technology Consortium Foundation. Recent reports by Mr. Watkins include: "Economic Impacts from 2006 Detroit Tigers' Game Attendance," "Automation Alley's Second Annual Technology Industry Report: Driving Southeast Michigan Forward," and "Benchmarking for Success: Education Performance among the American States." He has also provided testimony to the Michigan House of Representatives on matters of education finance, and is the editor of the book *The State Economic Handbook 2008*, as published by Palgrave Macmillan.

Prior to joining Anderson Economic Group, Mr. Watkins was an analyst in the automotive market and planning group at J.D. Power and Associates, and a marketing assistant with Foster, Swift, Collins, and Smith P.C.

Mr. Watkins holds an M.B.A. from the Eli Broad College of Business at Michigan State University. He also has a B.A. in marketing from Eli Broad College of Busi-

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Mr. Mahon has over 20 years of experience in finance and accounting as well as operations, strategy, turn-around and start-up. Prior to joining Anderson Economic Group, he was the Chief Financial Officer for a private equity funded, start-up renewable energy company. He also practiced in the Financial Advisory Services group at PricewaterhouseCoopers, where he served as the primary financial and operational consultant and forensic accountant and engineer to tier-one clients.

He holds an MBA from J.L. Kellogg Graduate School of Management at Northwestern University. While at Kellogg he served as a Teaching Assistant in the Kellogg Accounting Department. After graduating from Kellogg, he served as an Adjunct Professor in the Management program. He also holds a B.S. in Civil Engineering from Marquette University.

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